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C O N F I D E N T I A L SECTION 01 OF 02 WELLINGTON 001053

SIPDIS

STATE FOR EAP/ANP-TRAMSEY
STATE PASS USTR-BWEISEL AND DKATZ
COMMERCE FOR 4530/ITA/MAC/AP/OSAO/GPAINE

E.O. 12958: DECL: 10/16/2014

TAGS: [PREL](#) [ECON](#) [OVIP](#) [NZ](#) [ETRC](#) [CODEL](#)

SUBJECT: SENATOR BAUCUS AND AMBASSADOR GIVE STRAIGHT TALK
ON FTA TO NEW ZEALAND TRADE MINISTER

REF: WELLINGTON 36

Classified by: DCM David R. Burnett. Reasons: 1.4 (b) and (d).

11. (C) Summary: In a meeting December 2 at the Auckland airport, Senator Max Baucus (D-Montana) and the Ambassador warned New Zealand Minister for Trade Negotiations Jim Sutton that his government faces a tough time trying to persuade the U.S. government to start free-trade talks. While emphasizing their personal support for such talks, they identified the New Zealand government's anti-nuclear policy as a major obstacle to deepening the bilateral relationship, including negotiation of a free-trade agreement. The discussion underscored the message of Codel Nickles (reftel) in January 2004 on New Zealand's chances for a free-trade deal and the nuclear issue's impact on the bilateral relationship. End summary.

12. (U) Minister Sutton, who raised the free-trade issue, noted the importance to New Zealand of a deal with the United States, especially because of the expected diversion of investment from New Zealand to Australia due to the Australia-U.S. trade agreement. Sutton had just returned from the Association of South East Asian Nations summit meeting in Laos and was accompanied by Simon Murdoch, the chief executive of the Ministry of Foreign Affairs and Trade.

13. (C) Senator Baucus said that the U.S. administration was assessing entire bilateral relationships -- including economic and security issues -- in deciding which countries to put in queue for free-trade negotiations. He expected that approach to harden in the administration's second term as views within the White House become more consolidated. Thus, the Senator predicted that New Zealand's 1986 legislation barring the entry of nuclear weapons and nuclear-powered ships into its territory would make it tough to get free-trade negotiations going. In providing this direct assessment, the Senator implied that he nonetheless supported starting talks now with New Zealand based on the economic benefits to the United States.

14. (C) The Senator, who was accompanied by selected members of his trade delegation, said that there should be give and take on both sides, and that there should be some way that New Zealand could meet the United States half way on the nuclear issue.

15. (C) Sutton said he had often heard from Washington of the fear of "New Zealand fever" -- its anti-nuclear policy -- spreading, but that he was not certain that such fear was an issue or obstacle to trade negotiations.

16. (C) The Ambassador responded that, because of regional security conditions, New Zealand's policy is more important to the United States today than it was in 1986. He acknowledged the need to articulate publicly the reasons why the United States remains concerned by the policy. He noted that other countries that are as sensitive to the nuclear issue as New Zealand -- such as Japan and South Korea -- have found a way around the issue because of the importance of national security and of their relationships to the United States.

17. (C) Murdoch said he hoped a "report card" on the New Zealand-U.S. relationship would reflect New Zealand's efforts and give the United States reason to bolster it. He pointed out New Zealand's support for the reconstruction efforts in Afghanistan and Iraq and the sharing of intelligence. The Ambassador confirmed the U.S. government's appreciation for New Zealand's cooperation in many areas, including customs and intelligence gathering. However, the U.S. government did not consider New Zealand to be pulling its weight in defense and security matters. He thought Australia shared that view.

18. (C) Murdoch asserted that the anti-nuclear policy would be difficult, if not impossible, to change. The policy had become ingrained politically in New Zealand, its citizens even more than the government supported it, and even the opposition was reluctant to deal with the issue. The

Ambassador, who stressed that he and the Embassy supported free-trade negotiations between New Zealand and the United States, said that when two countries want something, everything should be on the table.

9. (C) The Senator agreed. Unless the nuclear issue were addressed, it would be tough to get the U.S. administration to start free-trade negotiations. Somehow, the two parties needed to quietly work together to resolve the matter.

10. (C) The Ambassador recalled that he had attempted to address the issue two years ago by arranging for a visit to New Zealand by a U.S. Coast Guard ship. However, he ran into strong opposition from certain members of the White House, Pentagon and State Department. It was their feeling that the United States had been the more flexible of the two countries and that New Zealand had made no effort to find a way around the issue.

11. (C) The Senator and Ambassador pointed out that both countries cooperated well on a number of issues but that, while the bilateral relationship was good, it needed to go to another level. The meeting ended on a cordial and friendly note, with Sutton and Murdoch appearing to appreciate the forthrightness of their discussion with the Senator and Ambassador.

12. (C) Comment: Senator Baucus has been identified by the New Zealand government as a strong advocate for its effort to achieve free-trade negotiations with the United States. Therefore, we expect that his candid assessment of the challenges faced by New Zealand -- and the importance of dealing with the nuclear issue -- in its pursuit of a free-trade deal carried credibility. Post also notes that in the meeting there was no discussion of how the United States might benefit economically from a trade agreement.

13. (U) Senator Baucus did not have an opportunity to clear this cable.
Swindells